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DEPARTMENT OF AUDITOR-CONTROLLER**

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November 2, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **SOUTHEAST AREA SOCIAL SERVICES FUNDING AUTHORITY
CONTRACT REVIEW – A COMMUNITY AND SENIOR SERVICES
WORKFORCE INVESTMENT ACT PROGRAM PROVIDER – FISCAL
YEAR 2008-09**

We completed a program, fiscal and administrative contract compliance review of Southeast Area Social Services Funding Authority (SASSFA or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracts with SASSFA, a public agency, to provide and operate the WIA Adult, Dislocated Worker, Rapid Response and Youth Programs. The WIA Adult and Dislocated Worker Programs assist individuals in obtaining employment, retaining their jobs and increasing their earnings. The WIA Rapid Response Program provides assistance to companies that are facing a reduction in their workforce and assists the soon-to-be dislocated workers in career transitions by providing orientation seminars, workshops and materials. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 - 21 years old. SASSFA serves participants residing in the First and Fourth Districts.

SASSFA is compensated on a cost reimbursement basis and had a contract for \$2,073,270 for Fiscal Year (FY) 2008-09.

Purpose/Methodology

The purpose of our review was to determine whether SASSFA complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We interviewed Agency staff and evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

SASSFA maintained sufficient internal controls over its business operations. However, SASSFA billed CSS \$2,700 in FY 2007-08 for FY 2008-09 expenditures which is not allowed. In addition, SASSFA did not always comply with all WIA and County contract requirements. Specifically, SASSFA did not:

- Obtain complete criminal record clearances, which include fingerprinting, for all five employees sampled as required by Part II, Section 27.4 of the County contract.
- Meet all of the FY 2008-09 third quarter planned performance outcomes outlined in the County contract for exits, training and placements of participants.
- Maintain appropriate documentation to support the eligibility for two (20%) of the ten WIA Youth participants sampled. Subsequent to our review, SASSFA provided additional documentation to support the eligibility of the two participants.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with SASSFA and CSS on September 8, 2009. In their attached response, SASSFA concurred with our findings and recommendations including repayment of the \$2,700 in questioned costs. CSS will ensure that all the recommendations are implemented.

We thank SASSFA for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Kirk Kain, Executive Director, Southeast Area Social Services Funding Authority
Gustavo R. Valesco, Chair, Southeast Area Social Services Funding Authority
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAMS
SOUTHEAST AREA SOCIAL SERVICES FUNDING AUTHORITY
FISCAL YEAR 2008-09**

ELIGIBILITY

Objective

Determine whether Southeast Area Social Services Funding Authority (SASSFA or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA) Programs.

Verification

We reviewed the case files for 30 (5%) (10 youths, 10 adults and 10 dislocated workers) of the 561 participants that received services from July 2008 through May 2009 for documentation to confirm their eligibility for WIA services.

Results

SASSFA maintained appropriate documentation to support the eligibility of all 20 WIA Adult and Dislocated Worker participants sampled. However, SASSFA did not maintain appropriate documentation as required by LACOD-WIAD08-12 to support the eligibility for two (20%) of the ten WIA Youth participants sampled. Subsequent to our review, SASSFA provided additional documentation to support the eligibility of the two participants.

Recommendation

1. **SASSFA management ensure that staff obtain appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment.**

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 30 (5%) participants that received services during July 2008 through May 2009.

Results

SASSFA provided the services in accordance with the County contract and WIA guidelines.

Recommendation

None.

PERFORMANCE OUTCOMES REVIEW**Objective**

Determine whether the Agency met the planned performance outcomes as outlined in the County contract. The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

Verification

We compared the Agency's Fiscal Year (FY) 2008-09 actual performance outcomes for the third quarter to the planned performance outcomes outlined in the County contract.

Results

SASSFA did not meet all of the FY 2008-09 third quarter planned performance outcomes for exits, training and placements of participants outlined in the County contract. Specifically:

FY 2008-09 3RD QUARTER PERFORMANCE OUTCOMES												
WIA PROGRAMS	ENROLLMENTS			EXITS			TRAINING			PLACEMENTS		
	Planned	Actual	% Enrolled	Planned	Actual	% Exited	Planned	Actual	% Trained	Planned	Actual	% Placed
ADULT	Met Planned Performance Outcomes			91	70	77%	25	13	52%	Met Planned Performance Outcomes		
DISLOCATED WORKER	Met Planned Performance Outcomes			Met Planned Performance Outcomes			25	11	44%	Met Planned Performance Outcomes		
YOUTH	Met Planned Performance Outcomes			Met Planned Performance Outcomes			Met Planned Performance Outcomes			33	26	79%

Recommendation

- SASSFA management ensure that planned performance outcomes are met as required by the County contract.**

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's bank activity for February, March and April 2009.

Results

SASSFA maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether SASSFA's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and a sample of expenditures incurred by the Agency in July 2008 and April 2009 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

SASSFA's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

None.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 40 non-payroll expenditure transactions billed by SASSFA for July 2008 and April 2009, totaling \$20,986.

Results

SASSFA's expenditures were allowable, accurately billed and supported by documentation as required.

Recommendation

None.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

SASSFA maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

Recommendation

None.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether SASSFA's fixed assets and equipment purchases made with WIA funds are used for the WIA Programs and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of 20 items purchased with WIA funds, totaling \$33,416.

Results

SASSFA used the equipment purchased with WIA funds for the WIA Programs and the assets were safeguarded.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the WIA Programs. In addition, determine whether the Agency obtained criminal record clearances, verified employability, and maintained current driver's licenses and proof of automobile insurances for the employees assigned to the WIA Programs.

Verification

We traced the payroll expenditures for ten employees and ten participants totaling \$45,795 for April 2009 to the Agency's payroll records and time reports. We also interviewed one staff member and reviewed the personnel files for five employees assigned to the WIA Programs.

Results

SASSFA appropriately charged payroll expenditures to the WIA Programs. However, SASSFA did not perform criminal record clearances, which includes fingerprinting, for the five employees sampled as required by Part II, Section 27.4 of the County contract.

Recommendation

3. **SASSFA management perform criminal record clearances, which includes fingerprinting, for all employees.**

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's FY 2007-08 final close-out invoices for the WIA Adult, Dislocated Worker, Rapid Response and Youth Programs reconciled to the Agency's financial accounting records.

Verification

We traced SASSFA's FY 2007-08 general ledgers to the Agency's final close-out invoices for FY 2007-08. We also reviewed a sample of expenditures incurred in May and June 2008.

Results

SASSFA's FY 2007-08 general ledgers reconciled to the Agency's FY 2007-08 final close-out invoices. However, SASSFA billed Community and Senior Services (CSS) \$2,700 in FY 2007-08 for expenditures incurred in FY 2008-09. As such, SASSFA needs to repay CSS \$2,700 for expenditures charged in the incorrect program year as required by Part C, Section 1.2 of the Auditor-Controller Contract Accounting and Administration Handbook.

Recommendations**SASSFA management:**

4. **Repay CSS \$2,700.**
5. **Accurately bill CSS for actual expenditures incurred in the program year.**



September 17, 2009

County of Los Angeles
Department of Auditor-Controller
Attn: Wendy T. Watanabe, Auditor-Controller
Countywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
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Attn: Yoon Bae

**SUBJECT: SOUTHEAST AREA SOCIAL SERVICES FUNDING AUTHORITY-
CONTRACT REVIEW – A COMMUNITY AND SENIOR SERVICES
WORKFORCE INVESTMENT ACT PROGRAM PROVIDER – FISCAL
YEAR 2009-09**

Dear Ms. Watanabe,

We have received the final draft of your program, fiscal and administrative review of the Southeast Area Social Services Funding Authority (SASSFA) for Fiscal Year (FY) 2008-2009. This letter is SASSFA's formal response to the draft report.

We are committed to improving our services based on the review and its findings. Below is our specific response to each finding.

BILLED SERVICES/ CLIENT VERIFICATION

Recommendation

1. **SASSFA management ensure that staff obtain appropriate documentation from the participants to determine the participant's eligibility for program services prior to enrollment.**

The review report makes the statement that, "Subsequent to our review, SASSFA provided additional documentation to support the eligibility of the two participants." We strive to ensure all documentation of eligibility is present in the client's file. This may have been an oversight, but we certainly will ensure WIA staff have been made aware of the need to implement this recommendation.

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Recommendation

2. SASSFA management ensure that planned performance outcomes are met as required by the County contract.

SASSFA strives to comply with the quarterly planned performance outcomes, but this is not always easily achievable, due to fluctuations in program design and factors outside our control, such as changes in the economy. Our major goal is to meet our final contract numbers, which we either met or exceeded by the fourth quarter, with the exceptions of youth in-school enrollments, youth placements, and dislocated training, according to a recently released draft County report (please see below). Overall, SASSFA performed very well, especially considering the economic times. We already monitor performance outcomes during weekly WIA management meetings, and will continue to do so to meet our planned performance outcomes. As of a draft report by the County of Los Angeles below our fourth quarter goals and outcomes are:

Youth:

	Goal	Actual	Performance
In-School Enrollments	55	49	89.1%
Out-of-School Enrollments	66	72	109.1%
Exits	88	102	115.9%
Training	4	4	100%
Placements	84	73 (includes (7 post-secondary education)	86.9%

Adult:

	Goal	Actual	Performance
Enrollments	189	251	132.8%
Exits	109	147	134.9%
Training	27	31	114.8%
Placements	83	94	113.3%

Dislocated:

	Goal	Actual	Performance
Enrollments	140	171	122.1%
Exits	63	79	125.4%
Training	35	28	80%
Placements	52	69	132.7%

3. SASSFA management obtain a complete criminal record clearance, which includes fingerprinting, for all employees.

SASSFA already obtains reports on any criminal activity for all of its employees, using a federal data base. It has been difficult, however, to obtain fingerprint testing results, since we are not an agency such as the County or the police department who already are cleared to receive these reports. We also have been exploring the possibility of receiving these reports through one of our member cities, but it is not clear whether this will work. We have made numerous phone calls to the Department of Justice explaining that the agency is being required to fingerprint clearances for

everyone in the agency and have been told that SASSFA is not eligible to receive authorization to receive these reports. However, after speaking with several officials within the Department of Justice and explaining that the agency is a local community-based and non profit-special district public agency receiving WIA funds for social services to the public, they asked us to submit our application for their consideration. We hope that this will result in our ability to meet this requirement and should know within the next month if this will work.

4. Repay CSS 2,700.

5. Ensure that adequate documentation is maintained to support program expenditures and accurately bill CSS for actual expenditures incurred in the program year.

SASSFA concurs with this recommendation. It should be noted, however, that we had assumed the student was starting his training June 30, 2008, and so charged the expenses to that FY, but upon receiving attendance records it was determined the student actually started July 1, 2009. In any case, this was an error on our part and we will strive to charge actual costs to the actual FY the costs are incurred in.

CONCLUSION

We appreciate the opportunity to respond to the SASSFA-RWG Fiscal and Administrative Review prepared by your office. It seems that both SASSFA and the Auditor Controller's office have improved and learned from each other, as is evidenced by the reduction of findings from the past three years. Every agency has room for improvement, but we do feel that, overall, your report points to the ongoing quality of SASSFA's services. Thank you for your time and effort in supporting those services.

Sincerely,



Kirk Kain
SASSFA Executive Director